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ABSTRACT

The New York system of providing aid to contend with the higher costs associated with special education programs is the subject of this research study. The basic policy questions that it addresses are whether the current state aid system provides for special education needs for which the state should bear special responsibility and whether the manner in which the special needs of children are identified and measured for aid apportionment is equitable and promotes fiscal and educational efficiency. The term "special education" covers the mildly and severely handicapped, the gifted, and occupational and compensatory education. This paper is organized into four chapters: (1) the current fiscal and regulatory context in which special educational needs are aided in New York state's school finance system; (2) an examination of the pupil weighting system approach to providing aid for special needs programs; (3) alternative ways to measure school district needs for additional apportionment funds; and (4) a summary of the policy alternatives along with specific research recommendations. (Author/JK)

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RESEARCH STUDY #3

SPECIAL EDUCATIONAL NEEDS AND STATE AID IN NEW YORK

by

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NEW YORK STATE SCHOOL FINANCE LAW STUDY PROJECT

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CHAPTER 1

THE POLICY CONTEXT

New York State's current system for providing aid for elementary and secondary education includes provisions for recognizing the higher costs associated with programs for children with special educational needs. The purposes of this paper are: (1) to examine those provisions in light of their fiscal and programmatic intent, (2) to consider alternative approaches to funding special needs programs, and (3) where appropriate, to suggest research tasks that could be undertaken to empirically project the probable outcomes of certain alternatives. The basic policy questions to be addressed by this paper are, then,

> Does the current state aid system provide for those special educational needs for which the State should bear a special responsibility?
>
> Is the manner in which those needs are provided -- the way the special needs of children are identified and measured for purposes of apportioning aid -- equitable and do the procedures used promote fiscal and educational efficiency?

The following areas of special needs will be considered in this paper:

Severely handicapped

Mildly handicapped

Occupational education

Compensatory education

Variants on regular program costs

- Secondary
- Primary
- Gifted

This paper is organized in four chapters. The remainder of this first chapter is concerned with the context in which special educational needs are aided in New York State's school finance system. Attention is given to fiscal and regulatory realities in funding special needs, the educational and fiscal concerns that govern decisions about which needs should be supported through additional state aid and the level of that support, an operational criteria for making such decisions and, finally, a brief summary of current practices in funding special needs in New York State.

In Chapter 2 we turn to an examination of the pupil-weighting system approach to providing additional state aid for special needs programs. The presumed advantages of pupil-weighting systems over alternative approaches are considered, the problems associated with determining program weights are examined and the applicability of weighting systems for New York are discussed. Recommendations are presented for improving the equity and efficiency of the current system.

Chapter 3 is concerned with alternative ways to measure school district needs for additional apportionment funds under New York's Pupils with Special Educational Needs

(PSEN) program. Attention is given to whether funds should be allocated using achievement test score data, the current practice, or whether a poverty criterion should be used as is the case in the federal government's ESEA Title I program.

Finally, Chapter 4 is a very brief summary of the policy alternatives and the research recommendations that are made throughout the paper.

THE CURRENT FISCAL AND REGULATORY CONTEXT IN WHICH STATE AID DECISIONS WILL BE MADE

Three fiscal realities dominate consideration of ways to effectively and equitably address the special needs areas. First, the combination of declining enrollments and the inability of growth in both state and local economies to meet already built-in demands for higher spending for all governmental services are forcing reductions in educational services throughout the State. At the same time federal and state requirements, legal precedents and citizen expectations make the special needs areas far less vulnerable to program reductions than regular instructional programs. The experience over the past two years in New York City, for example, demonstrates the somewhat protected position of the special program areas. Even though special and occupational education have been subjected to budget reductions in both professional and paraprofessional positions, the severity of budget cutbacks has been considerably less in special

areas than in other program areas.

Second, substantial variations in the cost of special needs programs exist among the school districts and BOCES throughout the State. For example, the BOCES serving Rockland, Westchester, Nassau and Suffolk all spend more than the average state per pupil expenditure for both occupational and special education. These variations can in part be explained by regional differences in employee salaries as well as in different price levels for other services and products.[1] Failure to recognize true cost differences in special needs programs could lead to cuts in the regular instructional program.

EDUCATIONAL AND FISCAL CONCERNS IN PROVIDING FOR SPECIAL NEEDS

Concerns with the measurement of educational needs have both educational and fiscal components. In the educational component we are concerned with which pupils qualify a school district for extra aid, what kinds of needs or which special services are required for those pupils, and how much in terms of resources is necessary to provide those

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[1] The Legislative Commission on Expenditure Review, "Boards of Cooperative Educational Services: Finances, "Program Audit 4.1.76, (Albany: The Legislature -- State of New York, June 30, 1976). Cost differences are also caused by differences in program quality or level of resources and given the aggregation of data in the LCER report, the mixture of higher and lower cost programs within each BOCES.

services. For several types of severely and some mildly handicapped pupils there is widespread agreement regarding how pupils should be identified for participation and aid purposes as well as about both the nature and intensity of the services that should be provided. But for other special needs, exactly which pupils should qualify, what kinds of services they should receive and how much "extra" should be spent, is far less clear and more dependent upon the particular educational perspective or values of the observer. Some mildly handicapping conditions, occupational education and programs for the educationally disadvantaged fall within this category. The State should be particularly concerned that pupils identified as needing special services do require such services, and once so identified that they receive those services.

The fiscal considerations that govern decisions about the measurement of educational needs for aid purposes can be particularly complex. The first concern is with identifying the cost of special needs programs. Even with those special needs areas for which considerable programmatic consensus exists, valid cost data across districts continues to be more a hope than a reality. In the absence of valid cost data, state level policy decisions regarding aid levels may not be based upon sound fiscal considerations but rather only on the general recognition that special needs cost "something" more than regular programs coupled with rough estimates of the extra costs.

A second concern is the effect of high concentrations of high cost pupils, particularly the effect on the availability of funds for regular instructional programs and on tax rates. Also, high concentrations of high cost pupils would seem to create a condition in which the regular instructional program tends to underwrite unreimbursed costs for occupational and special education, but the lack of cost data and the absence of useful empirical studies leaves this concern unverified with respect to specific programs. What is clear, however, is that increased categorical state aid for services already provided by local school districts effectively becomes a general purpose aid, since additional state aid serves to offset costs already incurred by a district. As the 1975 increases in special service aids for the large cities demonstrated, categorical programs can serve as a ready vehicle for targeting additional state revenues to certain types of districts even when clear and consistent evidence of the justification for such aid increases is lacking.

Finally, an extremely important consideration about funding existing special needs programs as well as designing new programs concerns the possibility that such decisions would result in a substantial shift in the ratio of categorical to general purpose aids, a move that would in all probability meet with considerable resistance from many local officials and legislators alike. Indeed, as the State's share of total expenditures drops below 40 percent,

New York begins to look more like those low state aid states in which major portions of state aid are devoted to earmarked purposes. School finance reformers sympathetic to the plight of low tax base districts would regard full state funding of occupational and special education as a perceptible move away from "equalization," and die hard advocates of localism would view it as increased evidence of state control. Whether or not such resistance to increased funding for categorical programs is justified, it nevertheless represents a reality that must be recognized in assessing the political viability of alternative formulas for meeting the costs of special educational needs pupils.

The BOCES formula is responsive in a very haphazard manner to regional price variations. The special service formulas for occupational education and the severely handicapped used by the large city districts are more in line with actual cost structures in the metropolitan areas of New York than they are with the costs in Rural BOCES. On the other hand, because the extra apportionment aid for the mildly handicapped and educationally disadvantaged is tied to the general support formula which is not responsive to regional price variations, a dollar of categorical aid buys more services in rural upstate New York than it does in metropolitan areas.

What are the implications of the fiscal crises for special needs programs? Ideally, the State should want to strike a perfect balance between equity and efficiency by

providing additional aid for those special program costs that are mandated by the State and/or uncontrollable by local districts. When aid falls short of mandated costs, the extra burden rests on either taxpayers or the regular instructional program. Unfortunately, it is far easier to let fiscal pressures against higher spending run their inequitable course than to obtain consensus regarding the meaning of "adequate" or "quality" programs in each instructional area.

On balance, however, it may not be as difficult to achieve a fair and efficient balance in what is certain to be an extended period of fiscal constraints as it was during the 1960's when education resource policies were so strongly governed by a mentality of continuing growth in program quantity and quality without being tied in to specific standards. Severe pressures to reduce both the quantity and the quality of instructional services will encourage fiscal efficiency. This suggests that at least in those special needs areas where staffing and service mandates are clear, additional state aid will not serve as an incentive for higher spending, but instead will be supplantive of local revenues and therefore more equitable. New York could examine aid mechanisms that more closely address actual mandated costs within the context of local price and cost conditions. Most important, the realities of the fiscal crisis emphasize what will be a persistent theme of this paper, that the State must have a means for

determining the costs of special program areas in each district and in BOCES.

DETERMINING WHICH SPECIAL NEEDS SHOULD BE AIDED

There are at least three fundamental standards by which judgements should be made about whether a special educational need should be supported with a categorical state aid and the nature and amount of that aid. They are (1) equity, (2) the attainment of state purposes, and (3) efficiency.

Assuring Equity

The basic criteria for judging whether a particular special educational need should be supported through state aid would seem to be quite simple. Does commonly accepted educational practice mean that more educational resources or services are required for the special student than for the regular student? If so, is the incidence of pupils with special needs greater in some districts than in others?

If the proportions of special needs pupils are unevenly distributed among districts and the necessary services cost more, then categorical state aid is justified on two grounds. First, such aid would promote equal educational opportunity by assuring that appropriate educational services are provided to all pupils who require

those services, irrespective of the fiscal conditions of each local district or the preferences of district voters. In the case of special education, for example, both federal and state requirements place considerable restrictions on local districts regarding the assignment of pupils to services and the manner in which such services must be provided. Both factors have clear cost implications.

Second, where common practice and/or State requirements mandate additional local spending for special educational needs, and those needs are not evenly distributed among the State's local districts, then categorical state aid assures that the burden of such additional costs does not fall on either a given district's taxpayers, or necessitate reduction of services in the regular instructional program. The effect of high concentrations of high cost pupils in regular instructional services should be an important concern to the State because higher than average concentrations are most commonly found in urban-type school districts where regular program services are generally less extensive than in nonurban districts.

Promoting
State Purposes

Intergovernmental aid is a traditional vehicle by which states encourage or require shifts in program emphasis at the local level. Restrictions on the use of state aid automatically become restrictions on the use of local resources. This is particularly true when the aid

upon which additional restrictions are placed is not entirely "new" money, though in the long term the distinction between "old" aid and "new" aid is irrelevant. The compensatory education provisions of Chapter 241 in which low achieving pupils were weighted an additional .25 for aid purposes is a good example of this practice, since the amount generated by the weightings far exceeded the "new" funds provided by the New York State Legislature. Local districts were forced to redirect existing resources to compensatory education services. The additional weighting for pupils in grades K-3 in Florida and California's Early Childhood Education Program (ECE) represent recent examples in which a State has attempted to affect the allocation of resources at the local level in order to reform program practices through the mechanism of state aid. Proposals to provide weightings for pupils who are exceptionally gifted would have the same functional purpose. (It should be noted that New York's additional .25 weighting for pupils in grades 7-12 is not intended to affect or restrict local district allocative decisions since no requirements are placed upon the use of the aid so generated). One would hope that proposals to provide new weightings for the gifted or for grades K-3 in New York would be tied directly to a comprehensive state policy in those areas.

Promoting Efficiency

Maximum efficiency in the allocation of state aid

to meet special educational needs is attained when limited resources are most effectively matched to pupil needs. While an operational defintion of "most effective" may be elusive, decisions about whether and how to aid special needs can be made in a manner which promotes rather than inhibits efficiency. Promotion of efficiency should include attention to (1) local program flexibility, (2) provision of sufficient resources to insure probability that program objectives will be attained, and (3) incentives for fiscal prudence.

Program flexibility means that local officials should be able to match the instructional needs of individual pupils to appropriate services within the context of local conditions. In theory the availability of aid or the nature of the aid mechanism should not be the determining factor in either pupil assignments or in programmatic characteristics. In practice, both the aid mechanism and State Department of Education oversight of a program can be designed to promote certain types of assignments and program characteristics, i.e., mainstreaming of mildly handicapped pupils.

Concerns with efficiency should also dictate assurances that the special needs funds and accompanying requirements placed by the State on local school districts are sufficient to hold some promise of success in attaining State purposes. First this means assuring that additional apportionment funds are totally spent on the target group

of pupils. New York State gives particular attention to this concern in each of the special need program areas through both program regulations and administrative procedures. Second, in any given program there is presumedly a critical mass of resources below which marginal levels of expenditures cannot be expected to have a perceptible effect on meeting the special needs of a target group of pupils. For example, such concerns have led to concentration of resource requirements and minimum cutoff points below which individual school districts are not permitted to individually administer a project in the regulations governing Title I of the Elementary and Secondary Education Act. Concerns with program effectiveness also have led the federal government and many states to assert their responsibility to influence local program design decisions when there is evidence that some programs are not leading to the attainment of program objectives. Each of these aspects of efficient allocative procedures and state oversight of local program administration are particularly important in meeting the special needs of mildly handicapped and educationally disadvantaged pupils.

State aid for special needs should also provide incentives for <u>fiscal prudence</u> rather than for unnecessary spending. The principal vehicle for promoting fiscal prudence seems to have been the sharing of costs of special needs programs between the State and local districts. There is clearly an inherent tension between concerns with fiscal prudence and concerns with equity. The severe fiscal

pressures facing virtually all New York State districts for the next several years may almost eliminate the possibility that districts will provide particularly extensive services in the special needs areas from unreimbursed local funds. It will become incumbent upon the State, then, to develop a clear understanding of what constitutes both adequate and fiscally responsible but exemplary programs in each of the special needs areas.

SUMMARY

Decisions about the provision of categorical state aid to meet the special educational needs of pupils should be based on a criteria of (1) equity that includes consideration of the educational opportunities available to students with special needs irrespective of the district in which they live and which attempts to distribute the burdens of providing such services among all taxpayers; (2) assurance that the additional aid is but one component of a comprehensive program to achieve a purpose of the State; and (3) aid program design that promotes efficiency by providing local districts with sufficient flexibility to match resources and programs with individual pupil needs, by encouraging fiscal prudence and by providing sufficient funds to hold a reasonable promise of success. In addition to these three considerations, state-level decisions must also consider the role of the federal government. Federal aid that meets

state purposes may preempt the necessity for the State to become involved in a particular program area, or to become involved in a way that supplements federal funding. New York's efforts in compensatory education and bilingual education are such examples.

CURRENT PRACTICE IN NEW YORK STATE

New York's comprehensive attention to funding special needs programs is a relatively recent occurrence, and it reflects most of the educational and fiscal concerns noted above. Table 1.1 contains summaries of the requirements for special needs programs that have resource implications, enumerates those federal programs that also address each state program area, indicates the basic formula used for each area, and notes the number of pupils currently served and the amount of aid devoted to each area statewide. Perhaps the most striking observation about the way special needs are supported is the different approaches that exist from area-to-area and, in some cases, among different types of districts. While each of the funding formulas would appear to assume a state-local sharing of costs, the particular formulas are quite different. The oldest of the formulas is for occupational education and special education, both mildly and severely handicapped, in districts served by BOCES. Such districts can avail themselves of a percentage equalizing formula for all approved expenditures,

particularly for districts in downstate New York with higher than average teacher salaries. On the other hand downstate districts often have higher than average tax wealth per pupil, and are thus provided special benefits by the BOCES formula that was originally designed to encourage participation in BOCES.

In contrast, the formulas for occupational education and for the severely handicapped that apply to large city districts in New York are classical foundation formulas. While the foundation levels may be quite close to typical expenditure levels in some districts, the foundation amounts were not empirically derived and considerable variation exists among participating cities.

The formulas for the mildly handicapped and the educationally disadvantaged also utilize the basic foundation program approach, but in these areas the weighted pupil concept is used and the foundation amounts -- derived from the general aid foundation level of $1,400 -- are clearly a minimum level. In addition, the funding is appropriately described as additional apportionment aid, and, local districts are required to demonstrate only that such aid is devoted to the categorical purposes of the program area. For example, while all pupils whose performance on reading and math standardized tests places them more than two grade levels below national norms must be provided services from the additional apportionment, neither the nature nor the

level of such services is prescribed by the State.[1] Since there is not general agreement among educators about the resource requirements necessary to improve the performance of low achieving pupils, flexibility in local programming is not surprising. Nevertheless, the additional aid available to each district is a function of the tax base wealth of the district, and not the particular program designed for that district's pupils.

The fact that the approaches to determining state aid for the several areas of special need vary from area-to-area and among different types of districts is not in itself reason to alter the formulas. Indeed, such variations may be quite appropriate. Alternative funding approaches, therefore, must be judged against their ability to meet programmatic and fiscal goals more effectively than current practice.

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[1] Compensatory education programs must be limited to reading, math or bilingual instructional activities.

TABLE 1.1

AID PROGRAMS SERVING PUPILS WITH SPECIAL NEEDS IN NEW YORK STATE

CATEGORY (1)	STATE REQUIREMENTS (2)	COMPANION FEDERAL PROGRAM (3)	AID MECHANISM	
			LARGE CITIES (4)	OTHER DISTRICTS (5)
Mildly Handicapped				
Educable Mentally Retarded	Resource Room Permitted Maximum of 15 (K-6) and 18 (7-12) in special classes 3 yr. age span limit in special class	P.L. 94-142	Double apportionment (2.0 weighting aid) for special class and resource room programs.	Double apportionment (2.0 weighting of aid) for special class and resource room programs. OR BOCES percentage equalizing aid for approved expenditures.
Trainable Mentally	Maximums of 10 (under age 12) and 12 (over age 12) in each class 4 year age span limit per class	P.L. 94-142	SAME	SAME
Emotionally Disturbed	Resource Room permitted Maximum of 10 in special class 3 year age span limit per class	P.L. 94-142	SAME	SAME
Severely Speech Impaired	Resource Room permitted	P.L. 94-142	Special Services Aid (Foundation Program)	BOCES Aid

TABLE 1.1

AID PROGRAMS SERVING PUPILS WITH SPECIAL NEEDS IN NEW YORK STATE (Con't.)

CATEGORY (1)	STATE REQUIREMENTS (2)	COMPANION FEDERAL PROGRAM (3)	AID MECHANISM	
			LARGE CITIES (4)	OTHER DISTRICTS (5)
Hearing Impaired	Resource Room permitted Maximum of 10 (K-6)	P.L. 94-142	Special Services Aid or Double Weighting	BOCES Aid or double Double Weighting
Visually Impaired	Resource Room permitted	P.L. 94-142	SAME	SAME
Physically Handicapped	Resource Room permitted Maximum of 10 (K-6) and 15 (7-12) in special class 3 year age span limit per class	P.L. 94-142	SAME	SAME
Educationally Disadvantaged (PSEN)	All pupils more than 2 yrs. below grade level must be served by a special reading math or bilingual program.	ESEA Titles I and VII Migrant ESAA & PL874	Additional 25% apportionment (1.25 weighting); mode of service locally determined	Additional 25% apportionment (1.25 weighting); mode of service locally determined
Occupational Education		VEA	$1,400 foundation program; pupils also counted in regular pupil program or Special Services Aid	BOCES percentage equalizing formula for approved expenditures

CHAPTER 2

PUPIL WEIGHTING SYSTEMS

Determining additional state aid for pupils with special educational needs based upon the practice of assigning an extra weight for each pupil has become a popular element of school finance reform in the past few years. Though the general approach to pupil weightings had been used in some states for a number of years, and Paul Mort in 1951 had described pupil weightings as, "the most systematically refined of all measures of educational need. . .,"[1] much of the recent interest can be traced to the National Education Finance Project studies of program costs and development of program weights in the late 1960's.[2] Since 1970 more than a dozen states, including New York, have adopted the pupil weighting system of allocating state aid for selected special educational needs.[3] The most

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1 Paul R. Mort, Walter C. Reusser, and John W. Polley, Public School Finance, McGraw-Hill Book Co., New York 1960.

2 Richard Rossmiller, "Resource Configuration and Costs in Educational Programs for Exceptional Children," Planning to Finance Education, (Gainsville Fla.: National Education Finance Project, 1971).

3 Nineteen of the 50 states have established differences in support guarantee levels based on pupil weightings. Jack Leppert has calculated that, "Of the nineteen, Maine, New Hampshire, Oklahoma and Oregon only fund elementary and secondary students differently. Two states, Indiana and Iowa, have broad weight categories for special education students only. The eight states of Illinois, Minnesota, Montana, Nebraska, Nevada, New York, North Dakota and Pennsylvania each weight students by grade

extensive uses of pupil weighting adjustments to general purpose aid formulas have been developed in Florida, Utah and New Mexico. In Florida all categorical program aid is allocated using 24 different program weights. New Mexico uses seven program weights for categorical programs and Utah uses 15.[1]

School finance reformers and state legislators have viewed weighting systems as advantageous for a number of reasons. First, pupil weighting systems seem to be more consistent with the current emphasis on the needs of the individual child than do unit funding formulas or project-oriented block grants. Similarly, to the layman/legislator pupil weightings seem to be relatively easy to understand and to administer, and they also seem to be logical and precise. Whether these assumptions are, in fact, the case may be open to serious question in any given situation. But since those are perceptions held by many policy makers who can be supportive of programs to meet the special educational needs of pupils, understanding and appreciation of those

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level groupings and by one or two other factors such as sparsity, handicapped, or poverty. Only Florida, New Mexico and Utah, and to a lesser extent Idaho and Washington, have a sufficiently broad system of factors to be considered full pupil weighting states." Jack Leppert and Dorothy Routh, "Technical Proposal for Research: An Analysis of the Enactment and Impact of Pupil Weighting Systems in Education Finance Formulas," (Tallahassee: MGT of America, Inc., August 1976), in response to RFP-NIE-R-76-0022.

1 Op. Cit., The Leppert and Routh Project is a comparative case analysis of Florida, New Mexico and Utah.

perceptions can be important to sustaining such support and to obtaining aid increases.

Perhaps the most attractive features of pupil weighting systems are the assumed ability of weightings to simultaneously address two major finance reform concerns: interdistrict equalization of funding formulas and decentralization of key decision making over program administration from the legislatures and state education agencies to local school district officials. Fiscal neutrality -- neutralizing interdistrict differences in tax base wealth -- has become one of the guiding principles of school finance reform. Critics of traditional categorical aid programs argue that wealth-related inequities exist in such programs since little or no distinction in allocating categorical aids is made between high and low tax base districts. Such inequities can be overcome by adjusting general purpose aid formulas such as district power equalizing, guaranteed yield, or a very high foundation program (such as the one in Florida) by the pupil weighting system. More special needs aid is thus allocated to low wealth than to high wealth districts on the assumption that high wealth districts have greater capacity than low wealth districts to provide services to meet special educational needs.

Decentralization of program decision making by providing local district officials with greater flexibility and discretion has also become a renewed concern on the part of many state legislators. The Florida example is a case in

point. That Legislature viewed the 1973 reforms in the Florida Education Finance Program as an opportunity to stop becoming involved in numerous educational issues that were believed better resolved at the local level. Local districts were provided with greater discretion over ongoing program operations while the control over major policy and funding decisions was retained at the state level. Forbis Jordan has stated this objective of pupil weighting systems as follows:

> "One of the principal advantages of the weighted pupil approach is that local districts have the opportunity to identify and utilize flexible delivery systems rather than relying upon traditional institutionalized program structures. The challenge is for state-level bureaucracies to be willing to "open up the system" and not perpetuate existing delivery systems, thus denying the opportunity to explore creative ways for providing educational programs and services."[1]

Another important aspect of program flexibility noted by Jordan grows out of the shared-cost principle embodied in pupil weighting system adjustments to equalizing aid formulas. Since established weights cannot be expected to perfectly match the fiscal needs of a given program area in every district, local officials have the opportunity to supplement state funds to provide services most appropriate in meeting the needs of each district's pupils, in the same manner as they would with the regular instructional program.[2]

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[1] K. Forbis Jordan, "The Weighted Pupil: An Opportunity for Program Flexibility and Improvement," Journal of Education Finance, Volume 1, Number 4, Spring 1976, pp. 534-539.

[2] Ibid.

The final major reason why pupil weighting systems are viewed as attractive mechanisms for providing state aid for special educational needs derives from the direct linkage between the general purpose and categorical purpose formulas. Under a pupil weighting system state aid for special needs is automatically increased when a legislature appropriates additional funds for the general purpose formula. When special needs program funds are an independent component of the State Education budget, competition is created between general purpose and categorical aid, with the categorical programs often not enjoying the same increases as the general purpose program. In some other cases legislators respond to intense advocacy group pressure to the detriment of legitimate fiscal needs in the general purpose accounts. Under a pupil weighting system, "Each component of the program is interactive, thereby promoting a joint advocacy for state school support from all reference groups."[1]

Pupil weighting systems, then, have been attractive to many school finance reformers and state legislators because they are consistent with the current focus on the needs of individual pupils, they are presumed to be simplistic in conception and in administration, they present the opportunity to equalize special needs aid as well as

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[1] K. Forbis Jordan, "The Weighted Pupil: An Opportunity for Program Flexibility and Improvement," Journal of Education Finance, Volume 1, Number 4, Spring 1976, pp. 534-539.

general purpose aid through the general support formula, they provide increased discretionary authority and program flexibility to local district officials, and they provide ability to increase funding for general purpose and categorical needs simultaneously. At least some of these advantages of pupil weighting systems are possible in any state, and the context in which school funding has occurred in some states makes such a system particularly appropriate on all five counts.

DETERMINING PROGRAM WEIGHTS

How are pupil weighting indices determined? Three basic techniques seem to be most commonly used: (1) comparison of the average, exemplary or prototype expenditures of a special needs program to average costs of regular instructional programs, (2) comparison of cost estimates based on state mandated staffing requirements and the average staffing patterns in regular programs, and (3) policy directed indices based on estimates of reasonable costs, intended outcomes or simply political negotiations in which the ultimate cost to the State is the determining factor. The first two techniques would seem to assume a primary emphasis on equity while the last would seem to be concerned primarily with a State's influence over local resource allocation patterns.

Weightings Based Upon Cost Analysis

When the primary concerns in establishing pupil-weights are treating school districts equitably and assuring that the special needs of pupils are addressed, the preferred way is to compare the cost of such services to the cost of regular programs. Cost analysis studies usually require an audit of direct program expenditures in a variety of districts and a consistent method of attributing indirect expenditures among special and regular programs. A major concern in such studies is whether analysis of special needs should be based on the costs of programs currently provided by school districts, or on the costs of programs as they should be provided. Thus, program weights could reflect average or typical practice, or they could reflect costs that are associated with characteristics of exemplary programs, where exemplary means both educationally effective and fiscally efficient. In a method closely related to the latter technique, the costs of resources required in a prototype program designed by specialists in the field would be compared to the costs of regular programs in a variety of settings. The studies conducted in the late 1960's for the National Education Finance Project[1] and many of their replications have used the exemplary program

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[1] Richard Rossmiller, "Resource Configuration and Costs in Educational Programs for Exceptional Children," Planning to Finance Education, (Gainsville, Florida: National Education Finance Project, 1971).

approach. Other studies have examined average costs of special programs.[1]

Studies of special program costs have made a substantial contribution to a general understanding of the fiscal implications of providing special services. Indeed, the National Education Finance Project studies probably were a major factor leading to the remarkable increases in state funding for special education during the early 1970's. Substantially higher costs for special services were legitimized by such studies, and the general, broad-scale patterns of relationships among high cost programs were established. However, in formulating and evaluating the aid policies of an individual state, one should recognize the limitations of these studies for translating relative cost indices into programmatic weights for state aid purposes.

First, cost indices represent averages, and in any single district explaining differences from the average may be very important in understanding the possible effects of state policy. In many of the vocational and special education programs, common practice has produced service delivery systems that often are more alike than they are different, and variations in district cost indices may be determined more by differences in the resources allocated to regular programs (to which the special program is

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[2] For example, See "Pupil Weighting Programs in School Finance Reform," Chapter 2, School Finance Reform: A Legislator's Handbook, John J. Callahan and William H. Wilken, Editors, Washington, D.C., 1976.

compared), by unique factors uncontrollable by a district or by short term costs that would not be characteristic of the program or the district over an extended period of time. Second, for programs in which participants are mainstreamed into regular classrooms, educators do not yet have sufficient knowledge about the relationship between costs and benefits of alternative resource and organizational patterns to recommend exemplary models or to judge the adequacy of existing practice. In these cases flexibility at the local level is important, but the State must be prepared to periodically reexamine expenditure patterns based upon valid cost data along with information about factors that influence costs. Finally, it is not clear from the studies conducted to date what role federal reimbursable programs and program standards have on the costs of special needs programs. Most cost index studies exclude federal funds -- districts certainly should not be aided twice for the same costs -- but we do not know if such exclusions create a bias towards districts with large federally supported programs, thus understating the differences between special and regular programs in all districts.

If pupil weighting adjustments in a school finance system are seen as a way to assure that those pupils with special educational needs are provided the services that they need irrespective of the district in which they attend school, and districts are to be treated fairly with respect to the extra costs associated with special programs, then the

State should be responsible for analyzing program costs and identifying factors associated with cost variations. Only then can realistic cost indices that become program weights, and specific adjustment procedures, be incorporated into a comprehensive pupil weighting system. In the long run the most efficient way to provide valid cost data is through a program accounting system. Lacking such a system, a state that utilizes pupil weightings for its major special needs program will not have the ongoing capacity to determine whether state objectives are achieved and whether there is a need to alter program weights and requirements.

Weightings Based
Upon State Mandates

Many states including New York have established staffing standards for special and vocational education classes either to insure sufficient attention to the needs of individual pupils, or to promote classroom safety in subject areas where potentially dangerous equipment is used. New York's limit of 12 elementary age pupils in an elementary grade level class for educable mentally retarded pupils is an example of a state mandate. Where such standards exist and are enforced by a state, program staffing requirements can be compared to the statewide average staffing pattern for nonspecial needs programs to estimate a cost index. For example, if the average class size in New York State were 24, the EMR requirement would produce a cost index of 2.00. An even more precise approach would be to

combine the State requirement for classroom size in special classes with common practice regarding supplementary services (e.g., psychological services) to determine the number of pupils per Full Time Equivalent professional position. Florida, New Mexico and Utah used such a process to convert existing teacher-unit funding systems to pupil-weighting systems. In each of those States, however, the State Legislature clearly intended to eliminate the practice of having the state education agency approve each individual classroom unit for funding, and instead intended to provide districts with what was expected to be greater program flexibility. New York does not employ the classroom unit approach to funding special needs programs, so local program flexibility has not been a major reform issue. Therefore, the process of estimating cost indices for all special needs programs in which the State has established staffing standards does not have to be limited to establishing pupil weights for aid purposes. Cost estimates can be used to determine the level of the special foundation programs for the special service aid to city districts or for determining limits on BOCES aid in all other districts.

In those special areas in which a state has set staffing mandates, the strong relationship between variations in staffing patterns and differences in program costs justifies keying categorical state aid on those differences.[1]

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[1] William McLure, Robert A. Burnham and Robert A. Henderson, "Special Education: Needs, Costs, Methods of Financing," (Urbana, Il.: Bureau of Educational Research, College of Education, University of Illinois, 1975), and William McLure, "Pupil Weightings Investment Differentials," Journal of Educational Finance, Volume 2, Number 1, Summer, 1976, pp. 72-82.

And particularly where the State mandates very low pupil staff ratios thus producing high cost indices, the standard of equity would be better served by an aid mechanism that embodied concepts other than the cost sharing principle characteristic of pupil weighting systems.

Policy Directed Indices

When information is not available about program cost differentials and it is not clear what should be the extra costs of programs that a state would like to encourage, pupil weightings can be based on rough estimates. In all probability, such weights would be a function of the ultimate cost of the program in the State budget. The basic purpose of this type of pupil weight determination would seem to be to restrict the allocation of resources within school districts by requiring that part of a district's state aid be committed to certain state determined purposes. The targeting of funds on Grades 1-3 in Florida and New Mexico and New York's PSEN program under Chapter 241 were determined basically in this manner.

As crude as this approach to determining pupil weights may seem, it is probably an ideal way for a state to influence local district allocation patterns without specifically prescribing how funds must be used. Given a state's intent to influence local practices, that intent is not necessarily limited by the lack of valid cost data nor the absence of prototype programs. The test of this approach

is whether the pupil weighting system effectively targets enough categorical funds to those school districts that are most in need of having local priorities redirected by state action, [illegible] may be as much a function of the way that the pupil [illegible]ting system is applied as it is a function of the selected weight.

PUPIL WEIGHTINGS AND THE NEW YORK STATE SCHOOL FINANCE SYSTEM

Should pupil weighting formulas be used in New York State? How do the current pupil weightings for mildly handicapped and educationally disadvantaged work? What changes must be made to make the system operate more effectively? Should pupil weightings be applied to other program areas?

These are the policy questions regarding pupil weightings and the funding of schools in New York. On balance, a number of the claims for this approach to providing categorical state aid may not be appropriate for the needs of this State. With some key improvements the pupil weighting approach should be continued for programs for the mildly handicapped, but it should not be extended to the severely handicapped nor to vocational education. Continued use of the system for the PSEN program may also be appropriate, but with substantial changes that target more funds where the concentrations are greatest. Extending

categorical programs based on pupil weightings to the primary grades or to programs for the gifted would seem to reduce local discretion during a continuing fiscal crisis when one of the major needs is flexibility. The current secondary weighting is not really a categorical program and should be discontinued. Each of these points will be elaborated on later in this chapter.

My general observations about pupil weightings as they apply to New York State are as follows:

> Legislative perceptions about the appropriateness of pupil weightings based on their conceptual linkage to individual pupil needs and the simplicity of administration may well be true in New York as well as in other states, but the effect of such attitudes on funding decisions can only be speculated.
>
> The claim of inherent flexibility is probably grossly overstated. While increased flexibility compared to previous funding procedures may be the case in the first few years following implementation in some states, there seems to be no reason to posit any type of inherent relationship between an aid distribution mechanism and state oversight procedures on program requirements.
>
> A pupil weighting system may well increase the probability of political support for a special needs program and for increased funding.
>
> Claims of greater equity inherent in a pupil weighting system are incorrect when applied to a complex metropolitan State such as New York, primarily because pupil weighting systems are not responsive to the strong linkages between high concentrations of special needs pupils, and the higher tax wealth and expenditure characteristics of urban type districts. In addition, the application of program weights to New York's very low foundation formula level in the general purpose aid program is clearly disequalizing in terms of the fiscal need

reflected in excess burdens on taxpayers and regular program pupils.

Perceptions About Weightings

The apparent lack of complexity of weighting systems as applied to the mildly handicapped and the educationally disadvantaged can be an important advantage over the often more complex alternatives. Whether such a lack of complexity is appropriate or manageable in a large metropolitan state is, of course, quite another matter. The ability of pupil weighting adjustments to target the State's resources directly to individual pupils is very different between New York's mildly handicapped and compensatory education programs. State regulations and administrative procedures for administration of the mildly handicapped program virtually assure that all pupils who earn additional apportionment aid for a district will be served in programs supported at least in part by such aid. But in the Pupils with Special Educational Needs (PSEN) program, achievement test score results from grade six are used to estimate the incidence of educationally disadvantaged pupils for each district. Participating pupils are selected using local rather than state achievement tests and, in many cases, even broader criteria than testing are used. The notion of identifying the individual pupil who needs extra services in reading and math to generate the additional state aid as is the case with the mildly handicapped is not

even possible in PSEN. These considerations are discussed more thoroughly in the following chapter.

Flexibility is Unrelated to the Funding Mechanism

The notion that pupil weighting systems inherently provide local officials with greater flexibility and discretion than alternative funding mechanisms is incorrect. Pupil weightings applied to a general purpose formula can be as restrictive or as flexible as the State wishes to make them. Claims for greater flexibility are probably based on experiences in Southern states in which such systems replaced unit funding programs where the state education agency approved each unit, the demand for additional units often exceeded the availability of categorical funds so that many pupils were not served, and the state agency often had a narrow and restrictive standard for approving units. Over time, program requirements in these states can be expected to become more restrictive as local district behavior is evaluated regarding the identification and assignment of pupils, the allocation of resources among programs, the design of services, and pressures for changing the programs weights.

In New York State the 2.0 weighting for the mildly handicapped under Chapter 241 indeed provides districts with greater flexibility than the previous school aid legislation, but for reasons largely unrelated to use of the weighting mechanism. First, under Chapter 241 the large city

districts receive state aid targeted on the mildly handicapped for the first time, and it would be reasonable to assume that the availability of aid where there had been none before represents increased flexibility. In fact, the large city districts were serving most eligible pupils prior to Chapter 241 so that general purpose aid probably had little effect on the design of special education programs. Second, one of the key elements in Chapter 241 involved permitting noncity districts to receive aid for the mildly handicapped without having to send pupils to a BOCES. This could have been accomplished by any formula that allocated funds directly to districts rather than to reimburse them only for the state share of BOCES expenditures. The weighting system for distributing aid was not the critical element in this change, though it may have facilitated legislative action. Finally, whatever funding flexibility exists in Chapter 241 it is at least partially driven by State efforts to encourage mainstreaming of mildly handicapped pupils. The current state of the art in special education does not provide definitive models for SED to require them in local districts. Indeed, when such models are developed at the local level, pressures to adjust the pupil weights could have the net effect of reducing flexibility. Finally, the BOCES formula coupled with high demands for quality services for the handicapped and relatively high tax bases served as a strong incentive for BOCES such as those in Westchester County to draw upon

local resources in order to develop exemplary educational programs. It is unlikely that a pupil weighting system could provide more of this type of flexibility in New York State.

The .25 PSEN weighting might also seem to have provided districts with greater flexibility than in the past, but here, too, the record is mixed and the flexibility that exists is not necessarily an inherent function of the weighting system. Those districts that had participated in the earlier Urban Education Aid program are no longer required to submit an annual project proposal in order to receive funding, but instead are now held accountable only for results, including restricting use of the additional apportionment aid to pupils with educational needs. Such districts indeed have greater discretion over the use of compensatory educational funds than they had in the past. However, this procedure is almost identical to the requirements of Michigan's Chapter 3 program in which $200 per pupil of compensatory education funds are allocated to the approximately 85 districts with the highest concentrations of low achieving pupils. For those districts that had not previously participated in the Urban Aid program the PSEN component of Chapter 241 may well represent less flexibility in the use of some of the state aid that districts had already been receiving as general purpose aid. This is a clear example of a program for special educational needs designed to implement State intentions to affect the local

allocation of resources more than to assist districts with costs already incurred.

Higher Probability of
Political Support

One feature of the weighting system for aiding the mildly handicapped and the educationally disadvantaged is that such aid is available to every district in the State. While this is not unique to pupil weighting formulas, such formulas represent a ready vehicle for that purpose. And when all districts receive funds, political support for such a program could be expected to be substantial.

There is some initial evidence that tying special needs funding directly to the general purpose aid formula through a weighting mechanism enhances the possibility that the special needs areas will receive increased support to the same degree as the basic formula. The 1977 legislation that determined school aid for the 1977-78 school year is certainly not a definitive test of this notion since the increase in the foundation level from $1,200 to $1,400 was not fully funded and district aid increases are limited to six percent. If, however, the increase in the foundation level had been fully funded, most districts would have received close to an additional $200 for each mildly handicapped pupil and $50 for each PSEN pupil unit. On the other hand, perhaps a fully funded increase in the foundation level with existing weightings would have produced resistance from some local districts. The net effect of such a change

would have been to (1) increase the percentage of state aid targeted for special needs programs and (2) create a situation in which the percentage of "new" aid appropriated by the Legislature targeted to special needs would have been substantially greater than the previous special needs to general purpose ratio. Many districts could be expected to resist having additional aid earmarked for compensatory education since those funds would clearly require new expenditures in that program area at a time when all districts are faced with severe fiscal pressures.

Equity

The pupil weighting system as applied in New York State is inequitable for two reasons. First, pupil weightings fail to take into account the fiscal effects of higher concentrations of pupils with special educational needs. Second, the pupil weightings are applied to a general purpose foundation level that is only two-thirds of the average per pupil expenditure in the State, so the additional aid represents a far smaller percentage of actual costs than is implied in the weightings.

The equalizing characteristics of pupil weighting formulas are based on the premise that the greater the relative fiscal capacity of the local district, the greater its ability to support additional costs for special programs. Since the extra costs of special programs are shared between the State and its local districts, those districts with

higher than average concentrations of special needs pupils would, therefore, have to make a greater commitment from the local tax levy than districts with below average concentrations. In metropolitan States like New York, higher tax base school districts fall into two very different groups: those in suburban and fringe rural areas that tend to be small, to have moderate to high socio-economic characteristics and to have low concentrations of special needs pupils; and the urban-type districts with far less ability to get at their apparent high wealth, but who usually have the highest concentrations of special needs pupils. (See Table 2.1).

New York City presents one of the most extreme examples of the effects of the combination of high concentrations of mildly handicapped pupils, high tax base wealth and high costs of both regular and special instructional programs. In 1975-76 the average non-reimbursable cost of programs for the non-severely handicapped was $4,436.[1] The excess cost of programs for the mildly handicapped was $2,337 which produced a non-reimbursable cost index of 2.11 compared to the 2.00 weighting assumed in the state aid formula. When the 2.0 weighting was applied to the $1,200 foundation level, New York City received $571 in additional

[1]The figures used in this example were obtained from "The Cost of Educating Handicapped Pupils in New York City," (New York City: Board of Education, Office of the Deputy Chancellor, Educational Policy Analysis Unit, January 1977). The concept of non-reimbursable cost as used in this example refers to the total program cost as calculated by New York City including estimates of indirect administrative and support services less 90% of transportation costs and all reimbursable federal aid program costs.

TABLE 2.1

PERCENTAGES OF THE STATE'S ENROLLMENT, SPECIAL NEEDS PUPILS, AND PARTICIPANTS IN HANDICAPPED AND BILINGUAL EDUCATION PROGRAMS FOR BIG FIVE CITIES, 1974-75

DISTRICT (1)	PERCENT ENROLLMENT[1] (2)	PERCENT HANDICAPPED[2] (3)	PERCENT SPECIAL NEEDS (PEP)[2] (4)	PERCENT ESEA TITLE VII (BILINGUAL) PROGRAM PARTICIPANTS[3] (5)
Buffalo	1.70%	4.02%	2.91%	0.70%
New York City	31.97	47.57	46.74	81.86
Rochester	1.24	2.95	1.98	---
Syracuse	0.77	2.61	0.95	---
Yonkers	0.82	1.20	0.98	5.75
Total "Big Five"	36.50	58.35	53.56	88.31
Rest of State	63.50	41.65	46.44	11.69

1 "Survey of Enrollment, Staff and School Housing - Fall 1974," Information Center on Education, The State Education Department (Albany, New York).

2 Based on unaudited data from 1974-75 State Aid SA 124 Forms, provided by Bureau of Education Finance Research, State Education Department.

3 "Unduplicated Counts of Participants in State and Federally Aided Compensatory Education Programs - New York State 1974-75," Information Center on Education, The State Education Department (Albany, New York).

apportionment aid for each mildly handicapped pupil, leaving $1,766 to be raised from the local tax levy or supported by reductions in regular instructional programs. Since there were 23,246 pupils participating in programs for the mildly handicapped, the total additional burden on the local levy was approximately $41 million, or approximately $40 for each regular program pupil. If, however, New York City's concentration of mildly handicapped pupils had been comparable to the concentrations in noncity districts in the State,[1] the additional burden on the local levy would have been $26 million or approximately $26 for each pupil in a regular program. This extra burden on the local levy is in addition to the local levy contribution of $1,528 ($2099-$571) incurred for both regular and mildly handicapped pupils.

The problem of high concentrations of special needs pupils is compounded in New York State because of the way in which pupil weightings for the mildly handicapped and educationally disadvantaged are actually used in the state aid formula. Although they are based on rough estimates of differences in program costs, the weights for both programs are applied to a foundation program that is approximately two-thirds of the average current operating expenditure in the State and just a bit more than half of what many downstate districts will spend in 1977-78. For example, if one

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[1] Approximately three percent of New York City's pupils are handicapped compared to two percent in noncity districts. Table 54, Annual Educational Summary 1974-75, (Albany: State Education Department).

takes the premise of the 2.0 weighting for the mildly handicapped to mean that, on average, districts in New York spend twice as much on such pupils as they do on regular program pupils, we would expect to find that in a district with approximately the state-average per pupil expenditure of $1,800, programs for the mildly handicapped would cost $3,600. If that average expenditure district were also approximately of average wealth so that the State and the district share foundation program costs 50/50, the State's share of excess handicapped costs would be only 33 percent while the district share would be 67 percent. Each district of average wealth would receive an additional $600 for each mildly handicapped pupil whether its costs were $2,400 -- double the foundation level -- or $3,600 which is double the average per pupil expenditure.

Allocations of state compensatory education funds through the PSEN program also illustrate the problem of pupil weightings. As is the case with the 2.0 weighting for the mildly handicapped, the State requires only that districts demonstrate that the additional apportionment has been used for a PSEN activity, but there is very little reason to believe that most districts spend more than the State contribution. And since state aid per Total Aidable Pupil Unit is largely a function of district wealth, relatively high tax base districts receive less per target pupil in PSEN funds than low tax base districts. For above average wealth districts with high expenditures and high

concentrations of educationally disadvantaged pupils -- the urban condition -- PSEN funds per TAPU as a percent of average per pupil expenditures are considerably lower than the additional .25 assumed by the weighting. For example, the PSEN calculations for Rochester, Manhattan, Queens and Staten Island produce approximately $100 per TAPU, a figure closer to 5 percent of the average per pupil expenditure in Rochester and New York City.

Of course, many pupils in each district are served through Title I and other federal compensatory education programs, so that the number of pupils who actually participate in PSEN activities is less than the number of aidable pupil units. In addition, local districts are expected to concentrate available funds on those pupils most in need, a principle intended to assure that additional resources are sufficient to hold the promise of improving pupil achievement. The rule of thumb generally used for concentrating Title I funds is an additional 50 percent of a district's average per pupil expenditures, a concept comparable to the weighting of 1.5 for the educationally disadvantaged proposed by the Fleischmann Commission. Given the availability of federal programs and the effort to concentrate resources, funds actually used per PSEN participating pupil are considerably higher than the aid per pupil unit. In 1975-76, New York City's additional apportionment per PSEN participant was approximately $320, or about 14 percent of New York's $2,272 average per pupil expenditures, still far below the

additional 50 percent standard of Title I.

The use of a pupil weighting mechanism based on the foundation level makes PSEN funds a far more powerful program for educationally disadvantaged pupils in low wealth, low expenditure districts that are primarily in rural areas than it does for urban-type districts that typically have the highest concentrations of high need pupils. The average PSEN amount per participating pupil was $309 in the Big Five compared to $297 in the remainder of the State in 1975-76. (See Table 2.2). Whereas, as Table 2.3 shows, the Big Five districts in New York State have 38.45 percent of the State's enrollment, 53.38 percent of the PSEN pupil units, 49.3 percent of the participating PSEN pupils, and 48.26 percent of funds.

Michigan is one state other than New York to use test score data as a measure of educational need, but the allocation process in Michigan differs in that participating districts receive $200 for each eligible pupil. Participating districts are those with the highest concentrations of eligible pupils in 1976-77, about 85 out of 520 districts. There is considerable similarity between the administrative characteristics of the Michigan and New York programs, though in allocation and participation terms New York's pre-1974 Urban Aid program was more comparable than the current PSEN program. The $200 per participating pupil figure represents a higher percentage of average per pupil expenditures in Michigan than would be the case in New York, but that figure

TABLE 2.2

ENROLLMENT, PSEN PUPIL UNITS, PSEN PARTICIPANTS, PSEN AID, AND AID PER PSEN STUDENT AND PSEN PARTICIPANT IN THE BIG FIVE CITIES AND THE REST OF NEW YORK STATE, 1975 - 76

DISTRICT (1)	1975-76 ENROLLMENT (2)	PSEN STUDENTS (3)	PSEN PARTICIPANTS (4)	TOTAL PSEN AID (5)	AID PER PSEN STUDENT (6)	AID PER PSEN PARTICIPANT (7)
Buffalo	56,831	25,503	5,875	$ 4,483,576	$176	$763
New York City	1,095,322	420,681	186,789	59,727,930	142	320
Rochester	42,844	18,230	17,917	1,877,508	103	105
Syracuse	26,516	8,661	3,019	1,183,747	137	392
Yonkers	27,786	8,827	6,911	869,892	99	126
Sub-Total (Big 5 Cities)	1,249,299	481,902	220,511	68,142,653	141	309
Rest of State	2,000,237	420,898	245,726	73,058,347	174	297
Grand Total (Entire State)	3,249,536	902,800	466,237	141,201,000	156	303

Source: "Unduplicated Counts of Participants in State and Federally Funded Aided Compensatory Education Programs, New York State, 1975-76, New York State Education Department, Information Center on Education; "Current Components of New York State's Educational Finance System: A Review, Staff Report prepared by Governor's Advisory Panel, Education Study Unit, New York State Division of the Budget, January, 1977.

TABLE 2.3

PERCENTAGES OF THE STATE'S ENROLLMENT, PSEN PUPIL UNITS, PSEN PARTICIPANTS AND PSEN AID FOR THE BIG FIVE CITIES AND THE REST OF NEW YORK STATE, 1975 - 76

DISTRICT (1)	TOTAL PERCENT OF 1975-76 ENROLLMENT (2)	TOTAL PSEN STUDENTS (3)	TOTAL PSEN PARTICIPANTS (4)	TOTAL PSEN AID (5)
Buffalo	1.74%	2.82%	1.26%	3.18%
New York City	33.71	46.60	40.06	42.30
Rochester	1.32	2.02	3.85	1.33
Syracuse	.82	.96	.65	.84
Yonkers	.86	.98	1.48	.61
Sub-total (Big 5 Cities)	38.45	53.38	47.30	48.26
Rest of State	61.55	46.62	52.70	51.74
Grand Total (Entire State)	100.00	100.00	100.00	100.00

Source: Computed by School Finance Study Project, Section 842 Staff from Table 2.2.

has remained constant since 1971.

If the pupil weighting approach to funding programs for the mildly handicapped and educationally disadvantaged targets funds away from many of those districts where the needs are seen to be the greatest, the practical political problem of substantially altering current aid flows may nevertheless be too great to overcome. Alternatives for improving the equity of current programs that should be examined include the following:

Mildly Handicapped Weights

a. Actual Excess Cost Formula. Eliminate the weighting approach and substitute an excess cost formula in which Excess Cost is total non-reimbursable (or current operating) cost per pupil less the local levy, with a .90 factor for the average wealth district.

$$\text{Excess cost aid} = \text{Excess Cost} \times \left(1 - \frac{\text{District wealth}}{\text{State wealth}} \times .10\right)$$

Clearly, this approach requires audited data.

b. Estimated Excess Cost Formulas That Assume an Additional 1.0 Cost Index. Application of the additional 1.0 weight to each district's actual per pupil current operating expenditure for the prior year. This approach could use either foundation formula, percentage equalizing or power equalizing approaches. The state average current operating expenditure could be substituted for the district average where the latter is greater.

c. Adjust the Weights Upward. This reflects the aid that is required rather than the assumed costs, but leave the base for calculations at $1,400.

Each of the alternatives would direct more state aid to higher expenditure districts, primarily to urban type districts with higher than average concentrations of mildly handicapped pupils. Each district would still be required to demonstrate that additional apportionment funds were used only for the intended purpose. The effect of the increases in aid for the mildly handicapped would not be on programs for such pupils, but rather it would make additional funds available for regular instructional programs by reducing the net cost to the local tax levy of special needs programs.

Compensatory Education

a. Increase the Weight to 1.5.

b. Set a Minimum Amount of, say, $200 per (.25) Pupil Unit.

c. Use a Sliding Scale of Weights. For those districts with concentrations above the state average a sliding scale of weights such as the following could be used:

	Percent Below 4th Stanine	Additional Weight
Less than	30%	.25
	31-35%	.30
	36-40%	.35
	41-45%	.40
	45-50%	.45
More than	50%	.50

d. Use a Flat Grant or Variable Grant Approach.

Eliminate the pupil weighting system for PSEN and replace it with a single flat grant or variable flat grant that increases as the concentration increase. This approach, of course, does not consider weight differences. It would be similar to the current approach to Title I allocations.

Alternatives "c" and "d" would most effectively respond to the fiscal and educational problems created by districts with higher than average concentrations of educationally disadvantaged pupils. Each of the alternatives implicitly recognizes that PSEN programs are not based upon a sharing of extra costs between the State and local districts as is the case in most programs for the mildly handicapped. Rather, most districts spend only the additional apportionment aid on PSEN programs.

WEIGHTINGS FOR THE SEVERELY HANDICAPPED AND OCCUPATIONAL EDUCATION

Should the current foundation formula approaches to special service aids for the large cities or the percentage equalizing formula for BOCES aid be changed to a single formula based on pupil weightings? The unequivocable answer must be in the negative. The current system is more equitable and probably more efficient than what could be reasonably expected from the use of program weights. For example, the additional burden on the local tax levy produced by unaided costs is approximately $900 for each of New York City's

severely handicapped pupils funded under the 2.0 weighting. The extra burden per enrolled pupil is, therefore, only $14 compared to $41 for mildly handicapped costs.[1] For noncity districts the BOCES aid formula does a fairly good job of equalizing costs and tax burdens among the districts within the area of each BOCES.

There are several changes that should be considered in these formulas other than use of a weighting system. First, valid cost data should be obtained for severely handicapped and occupational education programs in order to more accurately fund excess costs. The possibility that the recent increase from $3,000 to $4,000 for the severely handicapped was more than some districts may have required, underlines the need for valid data. Second, excess cost formulas that take into consideration regional cost variations should be examined. The special needs areas provide an excellent opportunity to implement a regional cost factor on a limited scale. At the same time the combination of valid cost data and a regional cost adjustment could provide a way to eliminate the need for the nine mill option in the BOCES formula which favors high tax base districts. Finally, if no systematic changes are made in the special service and BOCES formulas, the large cities should be given the option of selecting the formula that provides them with the most aid: special service, BOCES aid ratio or BOCES nine mill.

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[1] These figures were calculated using data in "The Cost of Educating Handicapped Pupils in New York City, (New York City: Board of Education, Office of the Deputy Chancellor, January 1977).

WEIGHTINGS FOR OTHER PROGRAMS

Secondary Weightings

New York currently weights pupils in Grades 7-12 .25 more than pupils in Grades 1-6 for aid purposes. The rationale for such a weighting is that junior and senior high school educational programs are more costly than instructional programs in the elementary grades. This fulfills one of the components of the equity criteria for justifying special needs aid. Another major component of the equity criteria is concerned with the direction and the extent of variation in need among districts, in this case, the proportion of a district's enrollment in Grades 7-12. The variation in secondary pupils among New York State districts is minimal, certainly far less than some of the variations in concentrations of handicapped and educationally disadvantaged pupils. However, that variation tends to be bimodal with urban type districts below the state average and nonurban above the average, with the marked exception being urban districts with severe enrollment declines caused largely by lower birth rates or outmigration. Any redistribution of aid based upon elimination of the secondary weighting would shift marginal amounts of general purpose state aid from most suburban and rural school districts to urbantype districts.

If the secondary weighting is to be sustained because it represents an important and legitimate extra cost to those school districts that have above average concentrations of

pupils in grades 7-12, two steps should be taken to justify both continuation and the size of the secondary weights. First, cost analysis studies should be undertaken of regular program costs in grades 1-6, 7-9 and 10-12 to determine the variations at each level and the factors associated with those variations, including the nature of program needs and both tax base and income measures of fiscal capacity. Given previous research in this area, one might expect to find that grades 7-9 would generate higher cost indices than grades 10-12. Second, if it is important to respond to the higher secondary costs, the State should require that the additional aid be spent only on those pupils who generates that aid. To require that, of course, directly raises the question of whether it should be the State's programmatic purpose to encourage additional expenditures at the secondary level. If that is not the objective of the State, then the additional aid is not justified. If districts are not required to spend the additional aid on those pupils who generate that aid, then a secondary weighting is no more than a technique for targeting extremely marginal amounts of additional aid to suburban school districts that have higher than average concentrations of secondary school pupils.

Weightings for Primary Grades and Gifted

Some proponents of weighting systems consider such systems incomplete without additional weights to serve the special educational needs of pupils in grades K-3 and of the

gifted and talented. The targeting of additional resources to the primary grades is seen as a way to provide all pupils with a better start in school so that there would be less need to provide compensatory resources in the upper grades. The Fleischmann Commission used this rationale in recommending that funds generated by a compensatory education weighting be concentrated in the primary grades and elimination of the .25 secondary weighting in order to shift resource allocation priorities.[1] Florida and New Mexico have additional weightings of 1.234 and 1.10 respectively. The additional resources for the gifted and talented are justified, it is contended, on the grounds that the fewer numbers of such students produce economies of scale problems in meeting their special needs, and that as a group the gifted and talented tend to be the most neglected in many school districts.

Neither of these extra weightings should be recommended in New York State at the present time for the principal reason that they would represent additional restrictions on local resource allocations when most districts, faced with severe fiscal stress, are badly in need of flexibility. However, the basic principle embodied in an extra primary grade weighting is indeed attractive. Shifting the extra weighting from secondary to primary grades might

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1 "School Finance: Toward Equality of Opportunity," The Fleischmann Report on the Quality, Cost, and Financing of Elementary and Secondary Education in New York State, Volume I, (New York: The Viking Press, Inc., 1973).

deserve serious consideration as one part of a comprehensive State initiative to improve instruction at that level. California's Early Childhood Education Program (ECE) -- which is funded by a flat grant -- represents a general mode for such an initiative. Until the State is prepared to undertake such a comprehensive educational reform initiative, the current practice in many districts of allocating most ESEA Title I and PSEN compensatory education funds on the primary grades and the potential for improving staff ratios as elementary enrollments decline would seem to be suitable responses to this principle.

Services for the gifted and talented in some school districts have undoubtedly suffered under the strains of fiscal crisis, but a weighting system that affects all districts should not be a high State priority. Indeed, such a weighting could become nothing more than disguised vehicle for allocating additional aid to upper income districts. Instead the State should focus its resources on regional efforts to help the gifted and on assuring the availability of services in those districts most severely affected by budget reductions.

CHAPTER 3

SHOULD A POVERTY OR TEST SCORE CRITERION BE USED TO ALLOCATE PSEN FUNDS?

The question of whether compensatory education funds should be allocated to local school districts based on a poverty or an achievement test score criterion continues to be an issue at the federal government level as well as in several states. The decision to use income data for the county level allocations or ESEA Title I funds was initiated in 1965, and continues to be, more due to the lack of pupil test data for that purpose than a reflection of Congressional consensus. Congressman Albert Quie from Minnesota and Congressman William Ford from Michigan can be expected to continue to push for legislation that would give states permission to use test scores for Title I allocations where such data are available. Many state and local officials prefer an achievement measure because (1) it has the attractive feature of being directly related to what many believe to be the fundamental purpose of compensatory education -- the improvement of basic skills, and (2) it may be easier to administer in urban districts undergoing desegregation. California and Michigan in addition to New York distribute state compensatory education funds to local districts using test score data.

In this chapter we consider whether there are

sufficient reasons to change the measure used for determining allocations to school districts of funds for the State's Pupils with Special Educational Needs Program (PSEN). Currently the average of each district's grade 6 reading and math scores on the statewide PEP tests is used. Presumedly whichever measure is used for that purpose in the long term, selection of participating pupils and schools within districts will continue to be based on an achievement standard. Currently each student whose performance on a locally selected standardized achievement test in reading or math places him/her two or more years below grade level (except for pupils in grades K-2, whose eligibility may be based on recent acceptable readiness or other test scores which predict a serious deficiency in reading or mathematics by grade three) is eligible for compensatory education services. If the pupil received services from another compensatory education program such as Title I or Title VII of ESEA, he does not have to receive PSEN services as well.[1] The points to be emphasized here are that (1) all local districts use an achievement test different from the PEP tests to select program participants, (2) though closely related, the criterion used by the State for allocating PSEN funds and the standard used by local districts are <u>not</u> identical, (3) a very small percentage

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[1] "Program Guidelines-Additional Apportionment Provisions of State Aid 1975-76," (Albany: The University of the State of New York, The State Education Department, Office of Research, Planning and Evaluation, June 1975).

of pupils who participate in other compensatory education programs and also participate in PSEN supported activities, and (4) the number of pupils eligible for actually participating in PSEN programs may be substantially less than the number of PSEN aidable pupil units (at .25 each). The district level needs measures under consideration in this paper are not, then, direct aggregates of individual pupil need characteristics.

Analysis of the two fundamental distributional alternatives as well as the possible variations of each must consider possible consequences to both the funding and the implementation of compensatory education programs in New York. Possible considerations and consequences can be classified as follows:

1. Distributional Effects: What would be the likely effects of changing the measure of need on the patterns of aid allocation by type of district? How will the measure selected contribute to or inhibit effective planning by providing funding stability?

2. Programmatic Effects: What effects can be anticipated on the nature of services and on the concentration of resources?

3. Administrative Effects: In what ways might the measure contribute to or inhibit the development of greater coordination with other compensatory educational programs? What would be the effects on program implementation and monitoring and reporting requirements?

4. Fiscal/Political Implications: What is the political feasibility of the redistribution of PSEN funds that could occur from selection of a different measure of educational needs? To what extent are the political/fiscal implications a function of the avail-

ability of "new" state aid? What are the cost implications?

DISTRIBUTIONAL EFFECTS

The most obvious consideration in changing the measure of need used to allocate compensatory education funds is the effect on the pattern of aid flows to types of districts, both in the cross section and in terms of the likely shifts in school district characteristics over time. How will the aid flows affect urban, suburban and rural districts, upstate and downstate districts?

As a generalization it is probably safe to say that PSEN funds are distributed more widely when a test score measure is used than if a poverty criterion had been used. Such a pattern has been observed in studies using data from other states to identify the possible effects if Title I were changed.[1] In addition, a quick estimate of the effects of distributing Title I funds to New York counties using tests rather than the Title I formula in operation in 1973 indicated that approximately $30 million would be redistributed from New York City to the suburban and rural areas of the State.[2] Chapter 241 provisions for PSEN not only

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[1]James W. Guthrie, Anne S. Frentz, and Rita M. Mize, "The Use of Performance Criteria to Allocate Compensatory Education Funds," (Menlo Park, CA: Standford Research Institute, July 1974), prepared for the Assistant Secretary for Education, DHEW.

[2]This analysis was conducted by the office of the Assistant to the Commissioner for Federal Legislation, NYSED, during Congressional debate over the Education Amendments of 1974.

distribute state aid for compensatory education more widely than Title I, but the absolute per pupil amounts to cities are also lower than many suburban and rural districts due to the effects of using a weighting mechanism to calculate the aid flow. The tendency to move PSEN funds away from cities might be reversed if different cutoff points and procedures were applied to the test score measure.

Alternative PSEN Criterion Factors

What other measures of test score data and poverty data are availabe as alternatives to a district-wide percentage obtained from the number of pupils scoring in the bottom three stanines on the sixth grade PEP test? What are the likely distributional effects of these alternatives? Table 3.1 presents possible alternatives for determining PSEN aidable pupil units other than current practice. The three key elements are: (1) the selection of the basic criterion factor, (2) the cut-off point in the distribution of characteristics used to determine eligibility, and (3) the method used to determine the amount of aid per aidable pupil unit.

Three basic alternatives to the use of grade six PEP test data could be considered: (1) grade three PEP data, (2) the criterion used to determine subcounty allocations for ESEA Title I and (3) a combination of the two.

Grade Three PEP Data. In 1972 the Fleischmann Commission recommended that grade three PEP test results

be used to measure educational need until a valid "learning readiness" instrument was available. The basic rationale behind the Commission's recommendation was that by basing relative need on a readiness test or, temporarily, the third grade test -- the next available alternative -- the need measure would be free of the "school effects" assumed to influence test results administered in the sixth or ninth grade. Instead the Chapter 241 legislation relied upon grade six test results, perhaps because the number of pupils scoring in the bottom three stanines in grade six is typically 30-40 percent larger than in grade three. What, then, would be the distributional effect of using grade three data?

In Table 3.1 we compare the ratio of PSEN aidable pupils to the statewide average in grade three to grade six for 1972 and 1973 for the four largest cities in New York. For example, in 1972 New York City's percentage of pupils scoring in the lowest three stanines in grade three was 1.60 times the statewide average compared to 1.58 using grade six test results. This suggests that if grade three data had been used in 1973 New York City's share of PSEN funds would have been somewhat higher than would have been the case using grade six data. When all four districts are considered for both years, however, the four cities that have among the highest concentrations and the largest numbers of high need pupils in the State would not attract any more PSEN aid using data from one grade level rather than the other. Indeed, both Buffalo and Rochester would benefit more from one grade

level's data one year and the other grade level the following year. While a more comprehensive examination of these distributional differences might provide a contrasting pattern of benefits, these results suggest that if one wants to target additional PSEN funds to urban type districts, a shift to third grade PEP results by itself would not necessarily accomplish that objective.

TABLE 3.1

RATIO OF PSEN PUPILS IN FOUR LARGEST CITIES TO STATE PUBLIC SCHOOL AVERAGE IN GRADES 3 AND 6 IN 1972 AND 1973

	1972		1973	
	3rd (2)	6th (3)	3rd (4)	6th 5)
New York City	1.60	1.58	1.78	1.64
Buffalo	1.69	1.68	1.36	1.48
Rochester	1.50	1.61	1.69	1.63
Syracuse	.85	1.29	1.27	1.36

Source: New York State Education Department, Educational Finance Research Services.

If third grade scores were used instead of sixth grade scores without increasing the aid per pupil unit, the aggregate amount of PSEN funds for all districts would be reduced. Depending upon which year's data were used, the current additional .25 weighting would have to be increased

to between .32 and .35 to provide the same state aid for PSEN as before.

Poverty Data: The Title I Needs Measure. Use of a poverty criterion has as its most attractive feature the possibility that a single measure can be responsive to the dual objectives of serving districts with high concentrations of educationally needy pupils and districts with the most severe fiscal problems. In the urban-type districts, high concentrations of educational need and severe fiscal constraints frequently go hand-in-hand. If New York were to shift to a poverty measure for determining allocations to districts, the sub-county Title I allocations measure should be used in order to promote coordination between two programs. ESEA Title I funds are allocated to districts based on a poverty measure -- currently a mix of personal income and AFDC data -- eligible schools are identified using a poverty measure that may vary from district-to-district and participating pupils within eligible schools are identified using an educational needs criteria. Most, though not all districts, determine allocations to those eligible schools that actually participate in the program based on the number of educational needs pupils in each school.

New York, like all states, has some discretion about which poverty criteria to use in making subcounty Title I allocations. The choice of measures to be used in the formula can have a profound effect on distribution patterns. For example, the recent decision by the State Education

Department to conform more closely to the formula employed by USOE to make county allocations by placing greater emphasis on the poverty level income characteristic and to give less importance to AFDC data has resulted in a shift of Title I funds from urban to suburban and rural districts. This shift has been particularly noticable in metropolitan counties.[1]

In terms of district to district consistency and annual availability of data none of the poverty measures can meet the same standards as the PEP data which are available annually and represent a high order of consistency across districts. AFDC counts are subject to county by county variations that result from differences in administrative efficiency and assertiveness among the many county social service agencies. Also, the welfare system is less likely to be used in rural areas than in metropolitan areas. On the other hand, AFDC data are available annually and the SED, local school districts and the social service agencies have implemented workable management procedures for identifying AFDC pupils on a school district basis. Free lunch counts have traditionally been viewed as a variable that school districts could readily manipulate for their own benefit. However, both state level and U.S. Department of Agriculture audit procedures may have improved the credibility of the pupil counts from these measures. Like AFDC data, free

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[1] The Office of State and Federal Aid has conducted an analysis illustrating the distributional effects of the formula change.

lunch counts are available annually and both measures have the tendency to target funds more to urban rather than suburban areas. Personal income data has the clear advantage of consistency in conception, but such data are not currently available for school districts on a midcensus basis. However, the Office of the Assistant Secretary of Education (Planning) of DHEW in conjunction with the Bureau of the Census as well as the National Institute of Education are exploring ways to update income data for formula allocation purposes in preparation for debate over renewal of ESEA in 1977-78. These analyses of new Title I formula alternatives should be completed by early Fall 1977.

Even with reliable and updated income data, the choice of a specific measure to include in a formula can have a different distributional impact than an alternative measure. For example, the Orshansky Index currently used in the Title I formula for differentiating between rural and urban poverty has effectively shifted Title I funds from urban to rural areas. Indeed, the selection of a poverty level, the operational cut off point, is probably the most powerful determinant of allocation patterns when a poverty related criterion is used.

Combining Test Score and Poverty Data. After studying the aid redistributions that would occur both among and within states if an achievement criterion were used in place of a poverty criterion for Title I, Guthrie, Frentz and Mize concluded that combination of the two measures would

appropriately meet the needs of both the poverty population and the academically-deficient population.[1] It could be argued that this is exactly what New York State is currently doing, though the State and federal formulas and programs are kept independent. Given the possibility, though certainly not the probability, that Congress will include in the renewal of ESEA the opportunity for states to provide for far greater coordination between federal and state compensatory education programs than appears to be possible today, New York should consider distribution formulas for both programs that would force a closer look at their combined effect.

Weighting for High Concentrations of Need. As has been noted at several points earlier in this paper, it is the high concentration of special needs pupils that seems to have such a critical educational and fiscal impact on local districts. On the one hand, districts with very low concentrations of either low income or low achieving pupils should have the capacity to meet the special needs of such pupils largely within the context of the regular instructional program. In contrast, districts or schools with extremely high concentrations may require extra resources for their regular instructional program simply because that program includes so many special needs pupils. In recognition of the effects of high concentrations, the Regents Position

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1 James W. Guthrie, Anne S. Frentz and Rita M. Mize, "The Use of Performance Criteria to Allocate Compensatory Education Funds," (Menlo Park, California: Stanford Research Institute, July 1974).

Paper on Federal Legislation for 1977 includes a recommendation to the Congress that the Title I formula target additional funds to high concentration districts and schools. At the very least, the Department should test the impact of different approaches to weighting higher concentrations of either poverty or low achieving pupils.

Ohio is one state that currently uses a concentration factor in determining allocations of general purpose municipal overburden type aid.[1] That formula is as follows:

Percentage of Disadvantaged Enrollment	Disadvantaged Pupil Impact Allotment
10-14.99%	$7,50 Per Pupil in Total ADM
15-19.99%	15.00 Per Pupil in Total ADM
20-24.99%	22.50 Per Pupil in Total ADM
25-29.99%	32.50 Per Pupil in Total ADM
30-34.99%	47.50 Per Pupil in Total ADM
35+%	67.50 Per Pupil in Total ADM

Alternative Cut-Off Points

There are two reasons why it might be advisable to lower the cut off point on the PEP test results for determining both the total number and the location of aidable pupil units for the PSEN program. First, in terms of each district's share of PSEN funds the distribution pattern might be altered.

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[1] Ohio also has a state level categorical program for the educationally disadvantaged in which allocations are based on a poverty criterion.

Second, a cut off point lower than the bottom three stanines could be a better approximation of percentile socres represented by the "more than two grades below grade level" concept used to identify participating pupils.

Table 3.2 contains the percentage of pupils in each of the four largest cities and the rest of New York State (excluding the cities) scoring in each of the bottom three stanines. Stanines one and two include all pupils below the 12th percentile. In the rest of State category, which includes the cities of Yonkers, Albany, Binghamton, Utica, Rome, Mount Vernon and Troy, less than half of those pupils in the bottom three stanines are in the bottom two. In contrast, more than half of the pupils in Buffalo, Rochester, and Syracuse and 57 percent of New York City pupils who scored in the bottom three were actually located in the bottom two. This suggests that a very low cut off point would provide urban districts with a slightly greater share of PSEN funds and New York City would receive a somewhat more than marginal increase in its share. As with a shift to using data from the grade three tests, however, the state total PSEN funds would have to remain the same or be increased for the increased New York City share to be translated into additional dollars. Reducing the number of aidable pupil units by about one half while leaving the amount of aid constant might be a near impossible task to accomplish.

TABLE 3.2

PERCENTAGE OF PUPILS SCORING IN THE LOWEST THREE STANINES ON GRADE SIX READING TESTS, OCTOBER 1973

	1ST STANINE (2)	1ST & 2ND STANINE (3)	1ST, 2ND & 3RD STANINE (4)
New York City	13%	29%	51%
Buffalo	8	23	45
Syracuse	8	25	47
Rochester	8	25	48
Rest of State Public	3	9	20

Source: New York State Education Department, Division of Educational Testing, Bureau of Pupil Testing and Advisory Services.

Funding Stability: The Reward/Penalty Issue

An important concern about the distributional effects of the aid measure involves finding a workable balance between providing stability in funding from year to year and at the same time being responsive to real changes in local conditions. Stability is an important value to the extent that it promotes effective long term planning. Of the three critical variables that determine the amount of PSEN funding -- (1) percentage of sixth grade pupils below the fourth stanine on the PEP reading and math tests, (2) district enrollment, and (3) tax base per RWADA -- only the test

score data have been held constant since the inception of the PSEN program. A standard of recency would dictate that data more current than the fall of 1972 will have to be used in the future.

Year to year variations in reading and math test results at both the sixth grade and third grade levels have a pronounced effect on PSEN distributional patterns. Tables 3.3 and 3.4 contain the percentages of pupils scoring in the

TABLE 3.3

NEW YORK STATE READING PEP TEST RESULTS

PERCENT WITH SPECIAL EDUCATIONAL NEEDS

	FALL 1971 (2)	FALL 1972 (3)	FALL 1973 (4)	FALL 1974 (5)
GRADE 3				
New York City	45%	42%	42%	38%
Buffalo	50	47	34	33
Rochester	43	37	41	35
Syracuse	32	26	36	23
State Public		27	25	
GRADE 6				
New York City	50	48	51	49
Buffalo	50	53	45	46
Rochester	53	47	48	49
Syracuse	42	44	47	42
State Public		30	30	
GRADE 9				
New York City	48	49	51	50
Buffalo	40	50	50	49
Rochester	41	47	45	47
Syracuse	36	41	39	42
State Public		32	33	

Source: New York State Education Department, Division of Educational Testing, Bureau of Pupil Testing and Advisory Services.

TABLE 3.4

NEW YORK STATE MATH PEP TEST RESULTS

PERCENT WITH SPECIAL EDUCATIONAL NEEDS

	FALL 1971 (2)	FALL 1972 (3)	FALL 1973 (4)	FALL 1974 (5)
GRADE 3				
New York City	39%	35%	38%	34%
Buffalo	37	34	27	23
Rochester	42	35	35	35
Syracuse	20	15	21	16
State Public		21	20	
GRADE 6				
New York City	51	50	54	53
Buffalo	52	51	50	46
Rochester	55	53	56	57
Syracuse	33	36	40	40
State Public		32	34	
GRADE 9				
New York City	56	58	61	60
Buffalo	42	56	58	60
Rochester	44	56	55	58
Syracuse	34	42	44	47
State Public		35	37	

Source: New York State Education Department, Division of Educational Testing, Bureau of Pupil Testing and Advisory Services.

bottom three stanines in the PEP reading and math tests in grades three, six and nine for the fall of 1971, 1972, 1973, and 1974 for the four largest cities in New York and the total for all public schools in the State. Table 3.5 presents the average of reading and math results for grade six for each of the four cities. In some cases year to year variations are substantial, representing what would amount

TABLE 3.5

AVERAGE OF GRADE THREE PERCENTAGES OF PUPILS SCORING BELOW FOURTH STANINE ON PEP READING AND MATH TESTS IN FOUR LARGEST CITIES AND ENTIRE STATE, 1971-74

	SINGLE YEAR				THREE YEAR RUNNING AVERAGE	
	1971 (2)	1972 (3)	1973 (4)	1974 (5)	71-73 (6)	72-74 (7)
New York City	42.0%	38.5%	40.0%	36.0%	40.2%	38.2%
Buffalo	43.5	40.5	30.5	28.0	38.2	33.5
Rochester	42.5	36.0	38.0	35.0	38.8	36.3
Syracuse	26.0	20.5	28.5	19.5	25.0	22.8
State Public	--	24.0	22.5	--	--	--

Source: New York State Education Department, Division of Educational Testing, Bureau of Pupil Testing and Advisory Services.

to as much as 10 percent shifts in aid. If three year running averages were used in place of a single year measure the two columns at the far right show that the annual variations would probably be far less shocking while at the same time responsive to possible changes in conditions. On the other hand, Table 3.6 shows that if third grade test score results were used as the district PSEN percentage in place of the grade six data, not only are year to year variations dramatic, but the three year running averages would also have produced important shifts in PSEN aid. Buffalo is the most notable example with a one year change in the running

average from 38.2 percent to 33.5%, which would result in a 12 percent loss in PSEN aid.

TABLE 3.6

AVERAGE OF GRADE SIX PERCENTAGES OF PUPILS SCORING BELOW FOURTH STANINE ON PEP READING AND MATH TESTS IN FOUR LARGEST CITIES AND ENTIRE STATE, 1971-1974

	SINGLE YEAR				THREE YEAR RUNNING AVERAGE	
	1971 (2)	1972 (3)	1973 (4)	1974 (5)	71-73 (6)	72-74 (7)
New York City	50.5%	49.0%	52.5%	51.0%	50.7%	50.8%
Buffalo	51.0	52.0	47.5	46.0	50.2	48.5
Rochester	54.0	50.0	52.0	53.0	52.0	51.7
Syracuse	37.5	40.0	43.5	41.0	40.3	41.5
State Average	--	31.0	32.0	--	--	--

Source: New York State Education Department, Division of Educational Testing, Bureau of Pupil Testing and Advisory Services.

While such year to year shifts as shown in these tables are real, they do not justify the commonly expressed concern that districts might be rewarded for "poor" performance or penalized for "effective" instructional programs. Grade six test score results are no more than a characteristic of the local condition that permits the State to differentiate among districts for the purpose of allocating aid. Though conceptually related to the fundamental purpose

of improving basic skills, year to year variations in PEP test results at a single grade level are not suitable for evaluating the effectiveness of PSEN programs in particular, compensatory education programs in general, or the regular instructional program. The PEP tests can be used as an assessment of relative need that serves as a measure for allocating aid. They could also be used as a broad indicator or clue that a particular district may have serious educational problems. Such problems could be examined in great detail within a standard evaluation framework by looking at change scores for pupils participating in specific instructional programs.

There are several practical reasons why the grade six average of reading and math results for each district is inappropriate for making judgements about the effectiveness of compensatory education programs. Therefore, legislators and the general public should be aware of the notion that there is an element of reward or punishment in the formula that runs counter to the basic intentions of the legislation is fallacious. First, even in a single district the normal differences in sixth grade pupils from one class (year) to the next may be sufficient to produce different aggregate test results. For example, a shift in mobility patterns in and out of the district could have a substantial impact. Indeed, interdistrict mobility patterns are such that many sixth grade pupils will have attended schools in other districts during their first six years in school. The

"current" district should not be held solely accountable for a transient pupil's performance.

Second, even if one were to make the assumption that the grade six test results could reflect program effectiveness in grades four and five, what aspect of the district's program is to be rewarded or punished? Should it be just PSEN supported activities? What about the effect of Title I programs or of the entire reading and math program? Suppose for the moment that PSEN funds support a poorly implemented remedial reading program while the district is undergoing a major alteration in its mathematics program. Assume further that the mathematics program seems to be having a significant effect on pupils learning mathematics. The sixth grade average reading and math scores could rise slightly reflecting the improvement in the regular mathematics program. This rise could mask a drop in the reading scores of the few PSEN participants. What, then, would be the meaning of changing PEP test scores in terms of reward for program effectiveness? Similarly, suppose an extreme situation in which a district focuses its compensatory education funds on grades K-3 with secondary attention to grades 7-8, but minimal support for special efforts at the high school level or in grades 3-6. The emphasis on the early primary grades has a substantial effect on the results of the district's own tests and seems to have an influence on the third grade PEP results, but the grade six scores are dropping, primarily due to changing demographic patterns.

Certainlwer grade six scores should not be interpreted as an inf ineffective implementation of PSEN funds.

y, while the PEP tests have a substantial conceptuionship to the instructional purposes of PSEN, sit program allocations to grade levels and schools based on PEP results, but rather on the results district's own testing program. It would therefoo be quite unreasonable to expect a direct relatioexist between local uses of PSEN funds and pupil pe on the PEP tests.

e of PEP test results in the aid formula, then, sijudged on whether or not those data can target funse districts that have the highest concentrations o pupils and also have the most severe fiscal need fonal state support. Since test data are useful sing relative need among districts, but extremequate for determining program effectiveness, such dappropriate for use as a funding criterion, but noting judgements about program effectiveness. The partest criterion used should reflect a reasonably cundition of each district, but at the same time avoid nding shifts and promote effective program plannir those objectives in mind, a 3 to 5 year runninc of sixth grade reading and math results would se the most reasonable measure to use. Both fundinqty and long term program planning and evaluation wcven further enhanced if the allocation for

each district were held constant for, say a three year period.

PROGRAMMATIC EFFECTS

PSEN aid seems to be based on three major premises. First, the State has the obligation to assure that low achieving pupils in every school district receive special services to meet their needs. Such services should be rendered to these children regardless of the district's relative fiscal need for additional funds or the effect of markedly different concentrations of such pupils. Second, by making PSEN funds available to each district, long term political support for the state categorical program would continue to be widespread. Funding for PSEN pupils would probably increase proportionately to overall increases in state aid. Substantial amounts of additional funds could probably be made available for those districts <u>most</u> burdened with special needs pupils.[1] Third, since a weighting mechanism is used to allocate PSEN funds there seems to be the presumption that each district will <u>share</u> in the extra costs of special services to eligible pupils. Districts should spend more than

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[1] This rationale may not have been directly explicated in either the Fleischmann Commission's Report or the report prepared for the Commission by the Syracuse University Research Corp. in which the use of PEP data for allocating compensatory education funds was closely examined. But there is no doubt that the use of test data was viewed by the framers of the proposal as a politically viable strategy for institutionalizing the State's role in this area and for developing new coalitions of high need urban, suburban and rural districts.

the State aid that they receive for PSEN. These three premises should provide a framework for examining the effect of the PSEN formula on (1) pupils served by the program, (2) the nature of the services that they receive, and (3) the intensity -- concentration of resources -- of these services. Do program characteristics vary according to district fiscal capacity? Do program characteristics vary according to the district's concentration of PSEN pupils?

Though well beyond the scope of this paper, the following series of questions should be answered before a final judgement is made regarding the appropriateness of the measure of educational need used to allocate PSEN funds to local districts.

1. Given the requirement that districts demonstrate only that the additional PSEN apportionment has been used for compensatory education purposes, what evidence is there that districts are sharing in the costs of such services? If such evidence is available, do high tax base/high concentration districts contribute from the local tax levy more than or less than other types of districts?

2. What are districts spending per PSEN participant from PSEN funds alone and from PSEN and local funds combined?

3. What percentage of <u>all</u> target pupils -- those two or more grade levels below national norms -- actually receive special services either from PSEN or from other compensatory education categorical aid program?

4. Do clear patterns emerge among districts regarding either the types of services provided by PSEN or the levels of resources available to target pupils? For example,

> does a pupil in Rochester who is participating in a PSEN supported program receive a different type of service, or is that service more or less intensive than a target pupil in, say, Irondequoit where the tax base per RWADA is essentially the same as Rochester's but the concentration of high need pupils is far lower? Or are there differences between Rochester and Buffalo where the concentrations are similar, but there is a substantial difference in tax base per RWADA?

Current fiscal and programmatic evaluations of PSEN in local districts may not provide answers to all of these questions. Answers to other questions will probably require detailed examination of evaluation reports. Detailed evaluations of PSEN programs would be highly advisable from both an equity and efficiency viewpoint. This would assure that district by district variations in the ways in which target pupils are served are primarily a function of local choice rather than uncontrollable local conditions. If local conditions turn out to be a primary determinant of either the extent to which or the manner in which target pupils are provided supplementary services to meet their special needs, then the factors used for measuring "educational needs" and allocating PSEN funds can be altered to direct categorical state aid to those districts in which the program characteristics of PSEN services deserve to be brought more in line with statewide norms and/or the intentions of the legislation.

ADMINISTRATIVE EFFECTS

There are undoubtedly a number of administrative concerns regarding the PSEN program that could be examined in a comprehensive program evaluation. Specific attention to the appropriateness of the needs measure should consider the relationship of PSEN to other state and federal compensatory education programs. Such a concern has been noted in the discussions of distributional and programmatic effects of potential changes in the needs measure and formula. The Regents Position Paper on Federal Aid Programs, January, 1977, and Commissioner Nyquist's recent article in Compact on the concept of a federal state contract for administering federally funded programs present a clear desire on the part of New York State to obtain considerably more discretion over state administration of Title I and other federal compensatory education programs. The probability of greater state discretion and/or the passage of subcounty Title I allocation formulas more in line with the proposals made in the Regent's Position Paper may not be great. Such changes in ESEA will not come about unless New York can demonstrate the probable effects of those proposed formulas on PSEN and ESEA Programs.

The need for examining PSEN and the federal programs together could be accomplished in three steps. First, current distributional patterns for all programs should be evaluated in terms of both fiscal and programmatic effects.

Districts should be sorted out according to tax base and concentration of high need pupils. Second, the allocation criteria for Title I proposed by the Regents should be simulated and evaluated using an appropriate analytical matrix. Finally, alternative PSEN formulas should be simulated holding Title I and other federal program entitlements constant.

In a similar fashion administrative procedures and requirements placed upon local administrators by the federal and state programs should be analyzed. To what extent are PSEN funds being used for a target group of pupils that is identical to Title I, but who are not located in Title I schools? In what ways are the federal and state program requirements identical? In what ways are they different?

It might seem that these questions are not concerned with either the measures of educational need or administration of the state PSEN program, and in a narrow sense this would be true. But from a more comprehensive planning and evaluation viewpoint, no alternative to current PSEN procedures or formulas should be considered without placing those changes within the context of federal programs designed to achieve the same objectives.

The relationship between funding mechanisms and program administration should be addressed, particularly the implementation of a multiyear planning and evaluation cycle. The idea of, say, three years instead of single year program proposals (in the case of the federal programs)

or plans (PSEN) and summative evaluations of program accomplishments is probably long overdue. Multiyear planning in a specific instructional area such as programs for the educationally disadvantaged becomes a useless exercise without considerable year to year stability in the availability of program resources. Even without an inflation factor, stability of PSEN funding for each participating district for a three year period should contribute substantially to the efficiency of program operations. Michigan's Chapter 3 state level compensatory educational program utilized this approach between 1972 and 1975. Procedures for providing such stability in New York were discussed earlier in this Chapter.

FISCAL AND POLITICAL IMPLICATIONS OF PSEN

The current PSEN formula which assigns an additional weight of .25 to the percentage of each district's ADA believed to be below minimum competence levels based on the percentage of sixth grade pupils scoring below the fourth stanine on the PEP reading and mathematics tests probably distributes funds for compensatory education services more broadly than any alternative that could possibly be conceived. Shifting to a poverty measure of needs such as is used for Title I or a formula which would retain the use of test score data, but drop the wealth variable would shift funds from many suburban and rural districts to urban type

districts. The "Big Five" cities with 36.45 percent of New York's enrollment had three out of every four Title I participants where eligibility is based on a poverty criterion and two out of every four participants in PSEN programs where eligibility is based solely on test scores. Moreover, the "Big Five" received 78.27 percent of New York's Title I[1] funds compared to 48.26 percent of PSEN funds.

What would be the political viability of a new school aid formula that included major shifts in PSEN funding towards urban type districts with large concentrations of high need pupils in light of the long term fiscal prospects for New York? If PSEN aid flows were redirected as part of "new" state aid which resulted in the "winning" districts increasing their share of all state aid, while "losing" districts retained essentially the same amounts as currently, such shifts might be possible. However, the likelihood of state aid increases large enough to support shifts in funding for PSEN, increases for other categorical aids as necessary to meet state and federal mandates, as well as other more general purpose types of needs would seem to be exceedingly slim. On the other hand, if changing the manner in which PSEN funds were allocated were to have the net effect of restricting a greater share of even the "winners" budgets at a time when they also need more general purpose, unrestricted aid, political viability would also be low. Additional aid for PSEN

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1 Educational Finance Research Services, Section 842 Project, Request #36, Summary of Federal Aid Revenues, 1975-76, August 1, 1977.

presents a considerably different situation from that which exists in the handicapped and occupational education areas where requirements to provide services are probably more rigidly monitored by both the State and local citizens groups and, therefore, more rigorously enforced. In those situations, additional aid for a program already operated by a district in effect represents general purpose aid. Given existing constraints on the State budget, substantial immediate shifts in relative shares of state aid from some types of districts to other types, no matter how rational the needs measure to be used, do not seem to be politically feasable.

Two events might loosen up what currently appears to be an extremely intractable fiscal situation. First, the Court may rule in Levittown v. Nyquist in a manner which would require the State to direct a greater share of categorical needs based funds to the urban plaintiffs and similarly situated districts. If such a decision occurs and is upheld upon appeal, the State will need to match aid cost concepts in the handicapped, occupational, and educationally disadvantaged areas. Secord, if the Congress were to give states like New York the opportunity to coordinate federal and state compensatory education programs, the opportunity to focus funds on districts as well as pupils most in need of additional help may well be a principle that will have to characterize a restructured program for the disadvantaged.

CHAPTER 4

SUMMARY OF RECOMMENDATIONS

At the outset of this paper two broad questions were raised about the way special educational needs are addressed in New York State's school finance system.

> Does the current state aid system provide for those special educational needs for which the State should bear a special responsibility?
>
> Is the manner in which those needs are provided -- the way the special needs of children are identified and measured for purposes of apportioning aid -- equitable and do the procedures used promote fiscal and educational efficiency?

In answer to the first question, New York State provides additional aid to local school districts to help meet those special educational needs that are most likely to place extra fiscal burdens on districts. The State should eliminate the extra weighting for pupils in grades 7-12, particularly since that aid is not categorical in nature, but also because it does not reflect a specific State policy in which spending at the secondary level should have a higher priority than spending at the elementary level. Funds "saved" by eliminating the secondary weighting should be redistributed to districts through the general purpose formula. Similarly, additional aid should not be targeted to pupils in grades K-3 or to those who are particularly gifted or talented, at least not at the present time. To the extent that those needs

are special, they can continue to be supported by other fiscal and organizational arrangements.

The answer to the second question is more complex. A number of changes should be considered and their implications examined in greater detail than was possible in this paper in order to improve the equity and efficiency of the ways in which state aid is allocated to school districts to meet the special educational needs of their pupils.

THE NEED FOR COST ANALYSES

By far the most critical step that must be taken is the one to obtain on a continuing basis valid data about (1) the costs of special needs programs in a variety of school districts and (2) factors affecting those costs. This is certainly not a new issue nor a new recommendation in the New York State Education Department. Indeed, the Department shortly will have the capacity to make rough estimates of program costs based upon teacher salary costs and staffing ratios, and some would argue that more definitive or precise data are not required for state level decision making. But more precise analyses of costs are required in order to test the attributional assumptions characteristic of the Department's estimating procedure and, more important, to provide the level of confidence that should be the foundation upon which policy decisions are made regarding levels of funding for special educational needs, and against which local dis-

trict responses to funding procedures are evaluated. At the present time evaluations and policy decisions are not based on widely accepted cost data that is uniformly characteristic of all districts and BOCES in the State.

PROGRAM RELATED RECOMMENDATIONS

Mildly Handicapped

Administration of the 2.0 weighting system for allocating aid for pupils in programs for the mildly handicapped is not as equitable as it should be because the weight is applied to the $1,400 foundation level which is well below the average per pupil expenditure for mildly handicapped programs in many districts. In addition, a special burden is placed upon those districts with above average concentrations of mildly handicapped pupils, primarily urban type districts. Several alternatives were suggested in Chapter 2 in which the program weight would be applied to expenditure characteristics of districts rather than the foundation aid level. Since the State would contribute a larger share of program costs than is currently the case for many districts, the effect would be to free up funds for the regular instructional program, particularly in districts with high costs and high concentrations of mildly handicapped pupils.

Use of the pupil weighting system for allocating funds for the State's PSEN program also has the effect of providing less aid per pupil to those districts with high concentrations of educationally disadvantaged pupils than to districts with lower concentrations. Alternatives were suggested in Chapter 2 in which either program weights or a variable flat grant would provide more aid per pupil unit the higher the concentration. At the same time it was noted in Chapter 3 that not enough is currently known about the different patterns of use of PSEN funds to determine if major changes are required in program funding. The extent of and problems with coordination at the local level between the federal and State programs should be carefully examined, with particular attention given to the extent to which target pupils who should be eligible for special services do not receive those services or only marginal amounts. It was also noted that the combination of the pupil weighting system and the use of test score data to determine the number of target pupils in each district produced a pattern of aid distribution for PSEN funds than is the case for ESEA Title I funds. The large urban districts in New York State receive a smaller share of PSEN funds than Title I. Use of the State's criterion of test scores for Title I would shift funds away from the cities where the concentrations are highest and conversely, use of a poverty measure would shift

PSEN funds towards the cities. If the test score criterion is retained for PSEN, three to five year running averages of grade six data should be used and updated regularly.

Severely Handicapped and Occupational Education

Pupil weighting systems should not be used to allocate aid for severely handicapped and occupational education programs. The foundation formulas used for special service aid to the Big Five and the percentage equalizing formula used for BOCES aid should be based on valid cost data analyses, and should also be designed to reflect regional cost variations. The Big Five districts should be given the same options in selecting an aid formula which provides them with the most funds as do districts served by a BOCES.

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